

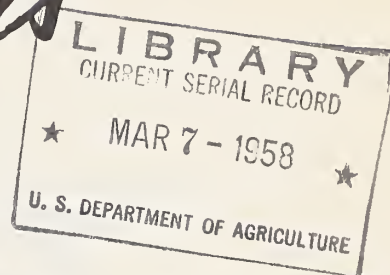
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# *Milk Distributors*



## **Sales and Costs**

April - June 1957

U. S. DEPARTMENT OF AGRICULTURE  
Agricultural Marketing Service  
Marketing Research Division



## MILK DISTRIBUTORS' SALES AND COSTS

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: This report is the fourth of a series based upon informa- :  
: tion obtained from distributors of fluid milk and cream :  
: products. These distributors are subscribers to a cost :  
: comparison service which furnished the Department with tab- :  
: ular data for analyses. A uniform accounting system is used :  
: and information is given on standardized forms. Data re- :  
: ported include: Costs and quantities of raw milk and other :  
: raw materials; prices and quantities of products sold; and :  
: operating costs. :  
: :  
: The firms selected are considered to be typical in the :  
: following characteristics: Privately owned, moderate size :  
: and chiefly single plant firms. Very small firms, national :  
: chains, and producer-distributors are not included. :  
: :  
: All major geographic areas of the country are represented. :  
:

In the April-June quarter of 1957, sales value of dairy products, declining more than seasonally, was at the lowest point since the same quarter of 1955. The cost of raw milk was down from the previous quarter, approaching the low levels of mid-1954. Gross profits remained about the same as the previous quarter. Operating costs, for the first time in five years, were lower than the same quarter of a year earlier, primarily as a result of a substantial decline in container costs. Net margin increased nearly 10 percent from the previous quarter and was at the highest level for any second quarter since 1953.

### UPWARD TREND OF SALES VALUE CONTINUES

Sales value of dairy products, per hundred pounds of milk and cream processed, declined over 3 percent from the previous quarter and about the same amount from the same quarter of last year. Generally, the slow upward trend from the low level of 1954 continued; the decline from a year earlier resulted primarily from the fact that the sales value in the second quarter of 1956 was well above the level of the general trend.

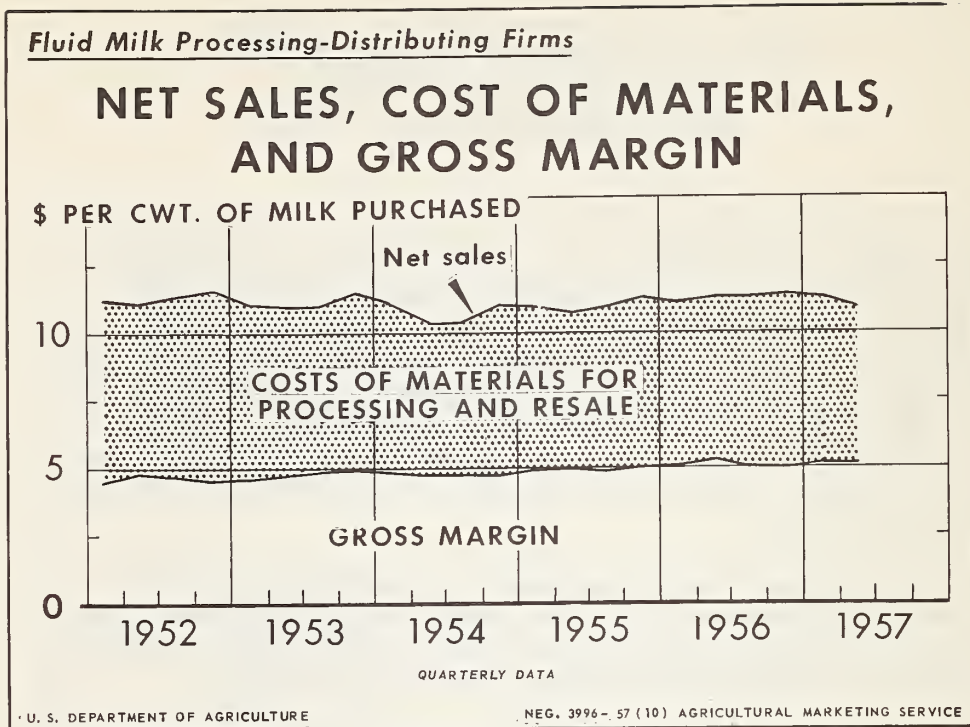


Figure 1

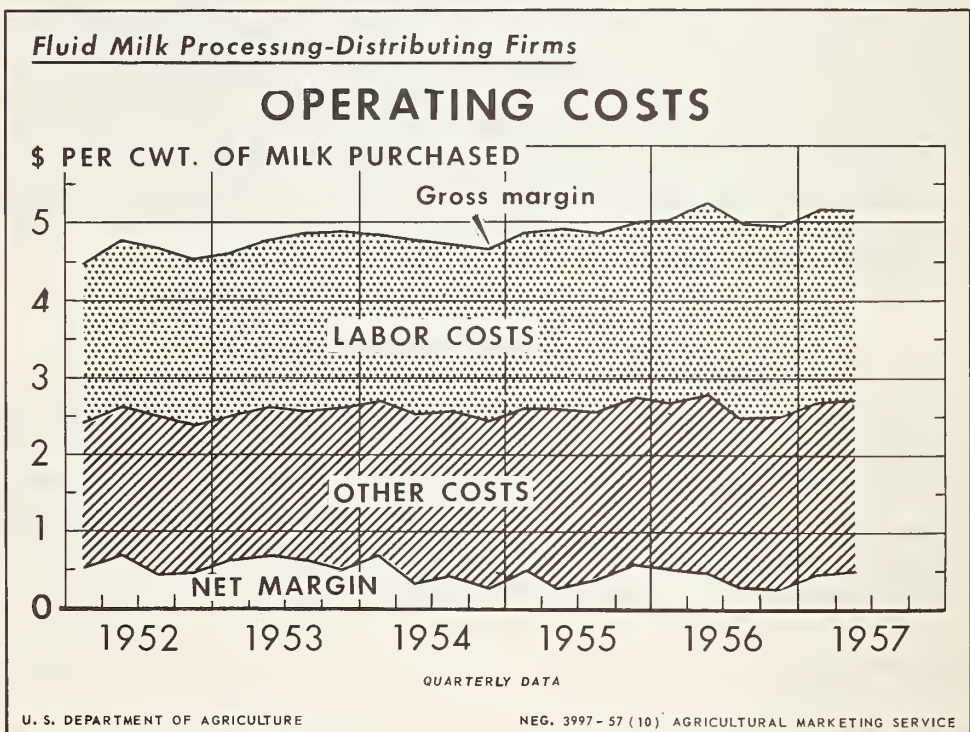


Figure 2



### COST OF GOODS SOLD STABLE

Cost of goods sold, at \$5.70 per hundredweight of milk and cream processed, decreased about 7 percent from the previous quarter and was the lowest since July-September 1954. The decline was somewhat more than seasonal. The relatively stable level of recent years continued: The maximum variation in the past 10 quarters has been only about 10 percent. The cost of raw milk and cream was about the same as two years ago. It was \$0.25 below the second quarter of 1956 when seasonal price declines were suspended in many regulated markets. Cost of goods sold, as a percentage of sales value, continued to decline, a trend that except for seasonal factors has been uninterrupted for the past five years. As a result, gross margin in this period accounted for a higher percentage of sales value than at any other time in this series.

### OPERATING COSTS LEVELING OUT

Operating costs have remained almost constant for the past five quarters. In April-June 1957 they were below the previous quarter and the same quarter of a year earlier by not quite 2 percent. This indicates a possible break in the upward trend of from 3 to 5 percent each year since 1952.

The rising costs in previous years resulted from increases in salaries, wages and commissions, containers, and repairs, rent and depreciation--all major cost items. During the past year the costs for personnel and equipment increased very little and container costs declined over 10 percent. Personnel costs have varied only 2 percent during the last five quarters, and during April-June 1957, were \$2.45 per hundredweight of milk purchased, \$0.03 below the previous quarter and only \$0.01 above a year ago. This compares with an average increase of about \$0.10 per year in each of the 3 previous years. Costs of buildings and equipment also increased only \$0.01 over a year earlier; this was much less than in earlier years. The decline in container costs may have resulted from increasing use of larger sized containers and changes in the relative volumes of the various products packaged. Other operating costs show no important changes.

Operating costs, in the second quarter of 1957, were 43 percent of the sales value of products, up one percentage point from the first quarter and the largest, percentagewise, for any quarter in this series.

Net margin, the remainder for payment of income taxes and return on invested capital, increased contra-seasonally from \$0.44 to \$0.48. This resulted from a decrease of \$0.44 in sales value of product, a decrease of \$0.42 in cost of goods sold (net decrease of \$0.02 in gross margin) and a decrease of \$0.06 in operating costs. The net margin was 4.5 percent of net sales as compared to an average of 4.3 percent for the same quarter of the years 1952-56.

Table 1.--Trends in operating costs per hundred pounds of milk and cream processed by a selected group of dairy firms, by years, 1952 to 1956, and by quarters, April-June 1956 to April-June 1957

Cost item	1952		1953		1954		1955		1956		1956		1957	
	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.
Net sales .....	11.32	11.12	10.69	10.95	11.22	11.25	11.24	11.31	11.29	10.85				
Cost of raw materials														
Raw milk and cream ..	5.85	5.43	5.07	5.12	5.30	5.07	5.29	5.56	5.29	4.82				
Other .....	.86	.90	.86	.94	.88	.96	.98	.81	.83	.88				
Total .....	6.71	6.33	5.94	1/6.05	1/6.18	1/6.03	1/6.27	6.37	6.12	5.70				
Gross margin .....	4.61	4.79	4.75	4.91	5.04	5.22	4.97	4.94	5.17	5.15				
Operating costs														
Salaries, wages, and commissions 2/ .....	2.15	2.19	2.21	2.28	2.43	2.44	2.50	2.46	2.48	2.45				
Containers .....	.60	.62	.65	.70	.72	.76	.69	.71	.73	.68				
Operating supplies ..	.30	.32	.35	.32	.28	.29	.29	.28	.29	.29				
Repairs, rent, and depreciation .....	.50	.52	.57	.60	.64	.65	.64	.65	.66	.66				
Taxes .....	.06	.06	.06	.06	.05	.05	.05	.05	.05	.05				
Insurance .....	.02	.02	.03	.04	.04	.04	.03	.04	.04	.04				
Services .....	.16	.19	.19	.18	.17	.18	.19	.16	.15	.17				
Advertising .....	.15	.15	.16	.18	.19	.20	.18	.18	.18	.19				
General .....	.15	.13	.13	.14	.16	.15	.16	.18	.15	.14				
Total .....	4.09	4.20	4.35	4.50	4.68	4.76	4.73	4.71	4.73	4.67				
Net margin 2/ .....	.52	.59	.40	.40	.36	.46	.24	.23	.44	.48				
Firms reporting .....	43	51	75	83	80	80	80	80	80	80				

1/ Revised.

2/ Includes State unemployment, Federal old age, workmen's compensation, and employee benefits.

3/ Net returns to owners before income taxes.



PRODUCTS HANDLED

Fluid milk distributors sold at least 30 separate products in the second quarter of 1957 (table 2). Homogenized milk was by far the most important, accounting for more than two-thirds of the sales, based upon product pounds.

Table 2.--Products handled: Measured in importance of pounds of product as percent of total pounds of all products, April-June 1957

Products	Retail sales	Wholesale sales	Other sales 1/	Total all sales
	Percent	Percent	Percent	Percent
Fluid Dairy Products				
Homogenized .....	23.0	36.0	9.3	68.3
Cream line .....	3.5	.9	.4	4.8
Buttermilk .....	.7	2.2	.4	3.3
Chocolate .....	.7	2.2	.4	3.3
Special .....	2.0	.5	.3	2.8
Skim .....	1.3	.8	.4	2.5
Other milk and cream 2/ .....	.5	1.4	.4	2.3
Total fluid dairy products .....	31.7	44.0	11.6	87.3
Manufactured Dairy Products				
Ice cream products .....	5.5	2.3	.6	8.4
Cottage cheese .....	.2	.8	.2	1.2
Condensed milk.....	—	.3	3/	.3
Other 4/ .....	.2	1.2	—	1.4
Total manufactured dairy products:	5.9	4.6	.8	11.3
Nondairy Products				
Orange juice and drink .....	.6	.6	.1	1.3
Eggs .....	.1	3/	—	.1
Other 5/ .....	3/	3/	—	3/
Total nondairy products .....	.7	.6	.1	1.4
Total all products .....	38.3	49.2	12.5	100.0

1/ Platform sales and sales to other plants.

2/ Cereal, coffee, whipping and sour cream; half and half, eggnog, and other low fat milks.

3/ Less than .05 percent.

4/ American and other type cheese, dry milk, yogurt, butter, aerated cream, margarine, and other miscellaneous items.

5/ Other nonmilk bottled drinks.

Ice cream products and cream line (not homogenized) milk, accounting for 8.4 percent and 4.8 percent respectively, were the second and third most important items. No other product accounted for as much as 4 percent of the total. Homogenized milk made up about 75 percent of the total milk sales for wholesale and other outlets; it was relatively less important in retail sales, composing about 60 percent of total sales. Cream line milk and special milks such as certified, breed, and flavored milks, were sold mostly at retail on home delivery routes. Wholesale sales accounted for almost 50 percent of all sales, retail sales 38 percent, and platform sales and sales to other plants the balance. Over 98 percent of all products were processed in own plant; the remainder were products purchased for resale.

The relative importance of individual products would be considerably different if other bases were used. Cream and ice cream are much more important on the basis of dollar value of sales. Cream, ice cream, cottage cheese, and condensed milk are much more important on a milk equivalent basis. Data for measuring the relative importance of the various products on these bases were not available for this study.

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